

August 26, 2011

To: Executive Board

Subject: **Fiscal Year 2011 Financial Statements and Investment Summary – June 2011**

Recommendation

Receive and file the Financial Statements and Investment Summary for Fiscal Year 2011.

Analysis

The attached Financial Statements and Investment Report summarize Foothill Transit's unaudited operations and financial condition for fiscal year ending June 30, 2011.

Foothill Transit's cash position of \$57 million remained unchanged from the previous month. While the total cash remained unchanged there were increases and decreases in sources and uses of cash. Uses of cash included \$2.4 million of capital expenditures and a decrease in accounts payable of \$220,000. Sources of cash consisted of an increase in deferred revenue of \$835,000, a decrease is due from other governments of \$275,000, a decrease in accounts receivable of \$490,000 and \$1 million of excess grant revenues over expenditures.

June 2011 fare revenues were \$1.5 million, which is 17.4 percent more than the monthly budgeted amount. This is the twelfth month in which revenues exceeded the monthly budgeted amount. It is difficult to isolate the factors responsible for this increase. A fare increase was implemented along with service refinements to improve fare revenues. The combination of these factors along with the recent increase in gasoline prices may have positively impacted fare revenues more than reflected in the budget. Recent economic forecasts are mixed as to whether the economy is improving and meaningful projections may not be possible until the ramifications of the state's budget are more clearly observed. The unemployment rate continues to linger near double digits.

Operating costs through June were \$59.3 million, which is \$5.1 million less than the budget. These costs are also less than the prior year, \$4.22 million or 6.7 percent less than the operating costs for the same period one year earlier. Foothill Transit had sufficient funds to meet all of its obligations.

Balance Sheet Analysis (Attachment A):

Assets

The balance sheet as June 30, 2011 shows total assets at \$214.8 million. This total consists primarily of \$153.4 million in fixed assets and \$57 million in cash and

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investments. The cash and investments balance includes \$5.0 million invested in the Local Agency Investment Fund (LAIF); \$32.6 million in non-interest bearing accounts held with Bank of the West; \$10.0 million in an interest bearing account with Bank of the West; \$3.3 million with Chase; \$4.0 million invested in FDIC insured Certificates of Deposits earning interest through the Certificate of Deposits Account Registry Service (CDARS) program; and \$2.0 million in US Treasury Bills.

Investments (Attachment B)

Our current investments are held in financial instruments pursuant to Foothill Transit's investment policy. Funds held with Bank of the West are in non-interest earning accounts to qualify for FDIC insurance, eliminating the risk of loss in an interest bearing account secured with required collateral. The LAIF investment, the CDARS investments, the deposits with Chase and US Treasury Bills earn interest and are held for future capital and operating funding requirements. These accounts earn interest; however at a very low rate. The LAIF interest rate as of June 2011 was 0.448 percent; slightly more than the previous month's rate of 0.413 percent. The most recent change in the prime interest rate was effective December 16, 2008 reducing it to 3.25 percent. While the prime has not changed in more than two years, LAIF interest rates had continued a downward trend until a slight increase during the current month.

Liabilities

The accounts payable balance is \$6.72 million. \$2.3 million of this amount represents the amount due and payable to the operations and maintenance contractors for May and June services. Other amounts payable included fuel costs of \$513,000 and Monrovia Dial-A-Ride service of \$45,000.

Operating Revenue and Expense Analysis (Attachment C):

Fare Revenue

June 2011 fare revenue of \$1.5 million was 17.36 percent more than the monthly budgeted amount and \$99,000 more than May 2011 revenue. The June fare revenue figure is in line with the monthly average of \$1.4 million.

June revenues continued the positive trend experienced since the beginning of the fiscal year. June year-to-date revenues are 5.3 percent more than the previous year and 22.3 percent more than the budget; and the average monthly revenue is 5.48 percent more than the Fiscal Year 2010 average monthly revenue. These could be indicators that the economy may be improving, with ridership increasing in recent months even though recent unemployment figures have indicated little change in unemployment. However, the recent increases in gasoline prices may have pushed commuters out of their cars and into public transportation, thereby increasing ridership.

State and Local Funding Subsidies of \$52.2 million (consisting of Transportation Development Act funds, Proposition A and C grants, and other income) were

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approximately 4.7 percent more than planned for in the budget. Foothill Transit has sufficient funds to meet all of its obligations.

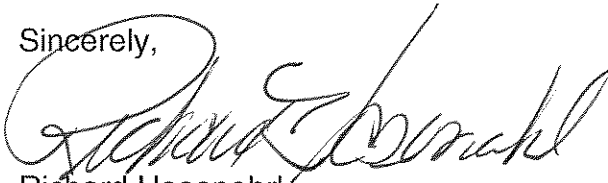
Expenses

Fiscal Year 2011 operating expenses were \$59.2 million, compared with the budget of \$64.3 million. This difference of approximately \$5.0 million resulted in a 7.88 percent favorable variance. The majority of this favorable variance is the result of fuel cost savings of \$3.4 million and contractor costs that were \$1.67 million lower than budgeted. It should be noted that the June 2011 year-to-date expenses of \$59.2 million are \$4.2 million less than the prior fiscal year.

Farebox Recovery Ratio

The FY 2011 farebox recovery ratio was 29.3 percent. This is 6.73 percent more than the performance target of 22.55 percent. The farebox recovery ratio was derived by dividing the total fare revenue figure of \$17,356,501 by the total operating expense figure of \$59,284,098. This ratio has increased 0.3 percent from the May 2011 figure of 29.0 percent.

Sincerely,



Richard Hasenohrl
Director of Finance



Doran J. Barnes
Executive Director

Attachments

Foothill Transit
Balance Sheet
As of June 30, 2011

Assets

Current Assets:

Cash	\$ 42,623,523
Investments	14,296,566
Due from government agencies	3,341,060
Other receivables	775,854
Other assets	356,232
Total Current Assets	<u>61,393,235</u>
Property & Equipment (net of depreciation)	153,365,630
Total Assets	<u><u>\$ 214,758,865</u></u>

Liabilities and Equity

Current Liabilities:

Accounts payable and accrued liabilities	\$ 6,722,931
Current portion of long term debt	1,000,000
Due to other Funds	
Long Term debt:	0
Deferred Revenue	<u>23,365,665</u>
Total Liabilities	<u>31,088,596</u>

Equity

Investment in Fixed Assets (net):	
Fund Balance:	<u>183,670,269</u>
Total Equity	<u>183,670,269</u>
Total Liabilities and Equity	<u><u>\$ 214,758,865</u></u>

Summary of Cash and
Investment Account
For June 30, 2011

	Interest Rate	Term	Principal Amount/Book Value	Market Value
Cash:				
Bank of the West-Reg. Checking	N/A	Demand Deposit	\$21,797,780	\$21,797,780
Petty Cash	N/A	N/A	400	400
Revolving Fund - Transit Stores	N/A	N/A	1,500	1,500
Bank of the West-Money Market	0.150%		10,010,347	10,010,347
Bank of the West-Excise Tax	N/A	Demand Deposit	6,787,707	6,787,707
Bank of the West-CTAF ³ Fund	0.750%	Demand Deposit	327,465	327,465
Bank of the West-Bus. Checking	N/A	Demand Deposit	3,698,323	3,698,323
Subtotal Cash on Hand			42,623,523	42,623,523
Unrestricted Investments:				
Chase Business Saving	0.500%	Demand Deposit	3,304,933	3,304,933
Bank of the West-CDARS	N/A	Cert. of Deposit	4,000,000	4,000,000
Treasury Bills			1,996,158	1,996,158
LAIF Investment	0.500%	Demand Deposit	4,995,476	4,995,476
Subtotal Unrestricted Investments			14,296,566	14,296,566
Total Cash and Investments			<u>\$56,920,089</u>	<u>\$56,920,089</u>

Notes:

- 1) The investments listed above are in compliance with Foothill Transit's Investment Policy dated July 22, 2004.
- 2) Foothill Transit has the ability to meet its expenditure requirements for the next six months.
- 3) California Transit Assistance Funds

Foothill Transit
Statement of Revenue and Expense
For Month Ended June 30, 2011

	Actual June -11	Budget June -11	Variance Favorable (Unfavorable)	Actual June - 10	Beginning Balance	June Activity
Operating Revenue						
Farebox	\$10,962,907	\$9,971,683	9.94%	\$10,162,552	\$9,979,327	\$983,580
Pass Sales	3,031,401	2,030,508	49.29%	2,823,045	2,786,914	244,487
TAP Cash Purse	2,082,281	1,086,617	91.63%	1,970,754	1,911,139	171,142
MetroLink	33,033	20,350	62.32%		29,619	3,414
EZ Transit Pass	1,246,879	1,081,025	15.34%	1,518,315	1,135,472	111,407
Total Operating Revenue	17,356,501	14,190,183	22.31%	16,474,666	15,842,470	1,514,031
Non-Operating Revenue						
FTA Sec 5307 Operating	4,239,628	5,000,000		2,896,006	3,484,250	755,378
FTA Sec 5307 ARRA	397,988	2,000,000	(80.10%)		397,988	
Transportation Development Act (TDA)	14,090,385	13,810,000	2.03%	14,961,834	12,902,551	1,187,834
STA	5,280,754	3,700,000	42.72%	5,266,326	5,280,754	
Prop A 40% Discretionary	12,740,786	11,582,800	10.00%	12,044,241	11,679,053	1,061,733
Prop A & C Interest	(10,918)			3,602,224	(10,918)	
Prop A 40% BSCP	2,667,971	2,923,200	(8.73%)	3,179,213	2,379,816	288,156
Prop C Base Restructuring	1,741,088	1,560,000	11.61%	1,699,452	1,596,001	145,087
Prop C BSIP	810,601	633,000	28.06%	791,218	743,050	67,550
Prop C Transit Service Expansion	290,136	226,600	28.04%	283,200	265,958	24,178
Transit Security-Operating	543,760	545,400	(0.30%)	670,385	498,447	45,313
Measure R Operating	7,410,667	6,467,800	14.58%	5,880,205	6,793,116	617,551
Excise Tax Credit						
Gain on Sale of Fixed Assets	105,429				105,429	
ARRA	7,886					7,886
Auxiliary Revenue	1,893,429	1,375,000	37.70%	2,235,365	1,421,015	472,415
Total Non-Operating Revenue	52,209,591	49,823,800	4.79%	53,509,669	47,536,509	4,673,081
Total Revenue	69,566,092	64,013,983	8.67%	69,984,335	63,378,980	6,187,112
Available Capital Funding						
Capital Grants	15,811,066			8,284,504	15,343,444	467,622
Other						
Total Revenue and Capital Funding	85,377,158	64,013,983		78,268,839	78,722,424	6,654,735
OPERATING EXPENSES						
Operations	50,130,059	55,569,200	9.79%	54,546,341	46,313,927	3,816,132
Marketing and Communications	1,239,357	1,226,600	(1.04%)	1,206,716	1,153,737	85,620
Information Technology	1,253,238	1,304,600	3.94%	1,073,973	1,148,151	105,087
Administration	2,114,518	1,823,500	(15.96%)	1,998,272	1,928,773	185,745
Sales and Service	1,682,098	1,691,900	0.58%	1,629,916	1,540,294	141,804
Finance	1,041,172	1,069,900	2.69%	983,259	963,022	78,149
Safety and Security	637,635	758,500	15.93%	689,159	586,293	51,342
Planning	591,328	662,400	10.73%	667,930	533,900	57,428
Building Management	594,695	247,400	(140.38%)	718,218	479,405	115,290
Total Operating Expenses	59,284,098	64,354,000	7.88%	63,513,784	54,647,501	4,636,597
Capital and Other Expenses						
Capital	18,296,468		N/A	8,105,990	15,364,118	2,932,350
Interest			N/A	47,137		
Dial-A-Ride	578,712		N/A	583,545	578,712	
Special Services	202,967		N/A	440,220	197,317	5,650
Other Misc. expense	580,393		N/A		41,463	538,930
Total Capital and Other Expenditures	19,658,540		N/A	9,176,892	16,181,610	3,476,930
Increase (Decrease) of Revenues Over Expenditures	\$ 6,434,521			\$ 5,578,163	\$ 7,893,313	(1,458,792)